Karl Marx's Capital, Volumes 1, 2 and 3, Introductions

Prologue

Chapter 32, Historical Tendency of Capital

Chapter 32 of Capital, Volume 1 contains about 1000 words, but it is a full historical sweep from the past of slaves and serfs through present capitalism to the future, when the expropriators will be expropriated. It is the second last chapter in Volume 1, but it will serve very well as an Introduction.

We might as well also note at this point the very last paragraph of the chapter, chapter 33, which says:

"We are not concerned here with the conditions of the colonies. The only thing that interests us is the secret discovered in the new world by the Political Economy of the old world, and proclaimed on the housetops: that the capitalist mode of production and accumulation, and therefore capitalist private property, have for their fundamental condition the annihilation of self-earned private property; in other words, the expropriation of the laborer."

And earlier in the same chapter: *"...capital is not a thing, but a social relation between persons, established by the instrumentality of things,"* says Marx, referring to Mr Peel and the Swan River Colony.

Engels' Preface to "Wage Labour and Capital"

"Wage Labour and Capital" and the Hunt for Surplus Value

Karl Marx's Capital, Volume 1, is a great work of literature and it covers many things; but more than any other thing, it is about Surplus Value, or *"the secret of the self-expansion of capital"* as Marx calls it.

Engels' remarks about Marx's "**Wage Labour and Capital**" show that in 1847 Marx was not yet able to explain Surplus Value in terms of commodity Labour Power, as distinct from Labour itself.

To repeat: When he first gave this lecture to the German Workingmen's Club of Brussels in 1847, Marx did not distinguish between the act of **Labour**, and its prior potential, called **Labour-Power**. The latter is the commodity that the worker sells daily to the capitalist in exchange for the privilege of staying alive.

The capitalist makes the worker work, and takes all the product of the worker's **Labour**, giving back only just enough for the worker to survive as commodity **Labour Power**, and so to be up for sale again on the next working day.

The above is the reason for Frederick Engels' 5-page 1891 **Introduction** to the subsequent editions of "Wage Labour and Capital". It is for the same reason that Karl Marx had to press on with his researches for another 20 years, until Capital Volume 1 was published in 1867. Only then was the true theory of Surplus Value fully published, and placed permanently in the public realm.

Our starting point

Hence the main thing to read here, for the purposes of our series, is **Engels' Introduction** to "Wage Labour and Capital", and not the pamphlet itself, which is otherwise redundant to our needs. It provides our starting point, and it defines the theme, or problematisation, which will serve to guide us through Capital, Volume 1, and which, as we will see, is not cancelled out, but is sustained, in Volumes 2 and 3.

This binding theme is *"the secret of the self-expansion of capital"* – Surplus Value.

Labour-Power and Surplus Value

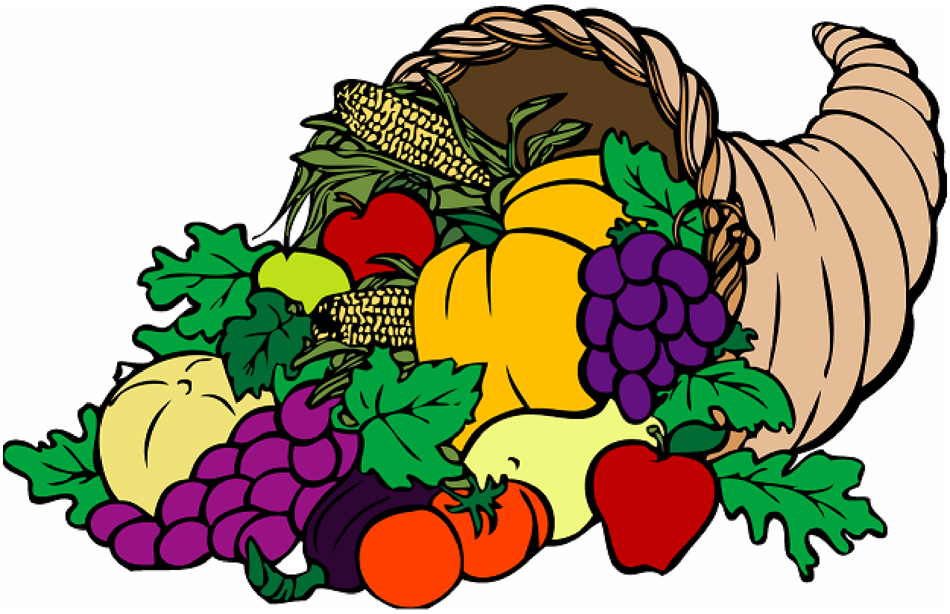
The distinction between **Labour** and **Labour-Power** is the necessary basis upon which an understanding of **Surplus Value** can be built, and Surplus Value is the key to the whole project that Marx worked on for about forty years from at the latest 1844 until his death in 1883.

Said Engels: *"Classical political economy had run itself into a blind alley. The man who discovered the way out of this blind alley was Karl Marx."*

This is true, but in 1847 it was not yet fully true. Engels' Introduction to "Wage Labour and Capital" reveals the nature of Karl Marx's quest. The revelation of Surplus Value is the heart of the entire work. The preliminary work on Commodities, Exchange and Money go before, while the process of circulation and the overall process of capitalist production are examined in Volumes 2 and 3, but always in the light of the creation of Surplus Value at the heart of the capitalist system, or relations of production.

To sum up: **Labour-Power** is what you bring to your employer's front gate in the morning. The employer normally pays you for it, **in full** (as Marx points out in "Value, Price and Profit"). After that, the entire product of any **Labour** you may do during the working day belongs to the employer.

"The secret of the self-expansion of capital resolves itself into having the disposal of a definite quantity of other people's unpaid labour" wrote Marx, in Capital, Volume 1 (Chapter 18).



Chapter 1: Commodities

Chapter 1 of Capital Volume 1 of Marx's Capital is a text that has been the stand-alone material for many a political school. It is in four parts. We have used the first part in another half-day course. The last part, on the Fetishisation of Commodities, is very famous. But for the sake of brevity, on this occasion, we will use Section 2 on "The Two-fold Character of the Labour Embodied in Commodities".

But first to re-cap: Chapter 1 begins with the following great definition of commodities:

"The wealth of those societies in which the capitalist mode of production prevails, presents itself as 'an immense accumulation of commodities,' its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity.

"A commodity is, in the first place, an object outside us, a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach or from fancy, makes no difference. Neither are we here concerned to know how the object satisfies these wants, whether directly as means of subsistence, or indirectly as means of production."

And it later says:

"A use-value, or useful article, therefore, has value only because human labour in the abstract has been embodied or materialised in it."

The second section of the chapter explores this dual character of commodities.

Says Marx: *"I was the first to point out and to examine critically this two-fold nature of the labour contained in commodities. As this point is the pivot on which a clear comprehension of Political Economy turns, we must go more into detail."* So this is an important part of the book

Chapter 2: Exchange

In his **1863 plan for the work**, Karl Marx proposed to begin Volume 1 of Capital with "1. Introduction. Commodity. Money." In the published version, four years later, an additional short item – Exchange – was introduced between Commodity and Money, while the Introduction was dropped.

Chapter 2 is a helpful, short, readable chapter that manages to reprise the definition of Commodity and the description of its implications given in the preceding chapter, while prefiguring the definition of Money that arrives in Chapter 3. The chapter on Exchange is a useful summary. In this regard it is typical of the work as a whole. Marx takes care in Capital, to allow the reader to rest at intervals and re-look at the material in a different way, or else to show off the new parts again in their relation to the whole.

Marx begins this chapter on Exchange by saying, of commodities:

"In order that these objects may enter into relation with each other as commodities, their guardians must place themselves in relation to one another, as persons whose will resides in those objects, and must behave in such a way that each does not appropriate the commodity of the other, and part with his own, except ***by means of an act done by mutual consent****."*

"In the course of our investigation we shall find, in general, that the characters who appear on the economic stage are but the personifications of the economic relations that exist between them.

"All commodities are non-use-values for their owners, and use-values for their non-owners. Consequently, they must all change hands.

"At the same rate, then, as the conversion of products into commodities is being accomplished, so also is the conversion of one special commodity into money.

"What appears to happen is, not that gold becomes money, in consequence of all other commodities expressing their values in it, but, on the contrary, that all other commodities universally express their values in gold, because it is money. The intermediate steps of the process vanish in the result and leave no trace behind."

Illustration from Thomas Hobbes' "Leviathan"

Chapter 3: Money

"The commodity that functions as a measure of value, and, either in its own person or by a representative, as the medium of circulation, is money."

It would not be remarkable that in a work called "Capital" and in a chapter called "Money", Karl Marx would proceed to define it; except that bourgeois economists cannot do so, even up to today.

Marx's definition of money ("*the perfected form of the general equivalent*") sits within a concrete overview of all the circumstances of capital, whereas bourgeois economists can never present a full picture of society, but only disconnected snapshots of abstract parts of the whole.

The second title of the book is "Critique of Political Economy". Karl Marx had read everything of consequence that had been written, from the time of Thomas Hobbes' "**Leviathan**" (1651), and had made notes of it in a manuscript called "**Theories of Surplus Value**", which is also sometimes called "Capital, Volume 4".

Karl Marx was not an economist. Capital is not a book of economics. It is a critique of the entire body of Political-Economic thought up to the time of its writing, with conclusions drawn about the development of Political Economy (not economics) into the future. Political Economy is the study of human political relations, and not just money relations.

In this chapter Marx describes Money and Price, the conversions between Use-Value and Exchange-Value, and then the transformation of commodities into money and back again from money into commodities, which is the series **"C – M – C"**. Ours in the half-day course are shorter excerpts.

Chapter 6: Labour Power

Chapter 6 of Capital, Volume 1 is the one where ***Karl Marx*** pops out the secret of the whole deal – the ***Buying and Selling of Labour Power***. The *"Hic Rhodus, Hic Salta"* that finishes the previous chapter was a fair warning: This is it. This is the heart of the matter. Here are some highlights:

"In order to be able to extract value from the consumption of a commodity, our friend, Moneybags, must be so lucky as to find, within the sphere of circulation, in the market, a commodity, whose use-value possesses the peculiar property of being a source of value, whose actual consumption, therefore, is itself an embodiment of labour, and, consequently, a creation of value..

"By labour-power or capacity for labour is to be understood the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description.

"…The second essential condition to the owner of money finding labour-power in the market as a commodity is this — that the labourer instead of being in the position to sell commodities in which his labour is incorporated, must be obliged to offer for sale as a commodity that very labour-power, which exists only in his living self.

"…For the conversion of his money into capital, therefore, the owner of money must meet in the market with the free labourer, free in the double sense, that as a free man he can dispose of his labour-power as his own commodity, and that on the other hand he has no other commodity for sale, is short of everything necessary for the realisation of his labour-power."

"…Accompanied by Mr. Moneybags and by the possessor of labour-power, we therefore take leave for a time of this noisy sphere, where everything takes place on the surface and in view of all men, and follow them both into the hidden abode of production, on whose threshold there stares us in the face 'No admittance except on business.' Here we shall see, not only how capital produces, but how capital is produced. We shall at last force the secret of profit making.

"He, who before was the money-owner, now strides in front as capitalist; the possessor of labour-power follows as his labourer. The one with an air of importance, smirking, intent on business; the other, timid and holding back, ***like one who is bringing his own hide to market and has nothing to expect but — a hiding****."*

Increase in value

Chapter 7: Surplus Value

In Chapter 6 we discovered the mechanism of Surplus-Value, consequent upon the buying and selling of Labour Power, by which the overall increase in wealth, that takes place under capitalism, is achieved.

Chapter 7 begins with a short summary of the book thus far, as follows:

"The capitalist buys labour-power in order to use it; and labour-power in use is labour itself. The purchaser of labour-power consumes it by setting the seller of it to work. By working, the latter becomes actually, what before he only was potentially, labour-power in action, a labourer."

The production of surplus value in the dynamic relationship between the capitalist and the working proletarian provides the answer to the question that the book is intended to answer, before any other: Where does the wealth generated by capital come from? Or: How, precisely, and exactly where, is the surplus taken? Or, using Marx's words: *What is the secret of the self-increase of capital?*

For, early on in his deliberations, Marx had determined that the observed general increase of wealth under capitalism could not have been coming from overcharging (cheating) in trade, because in a market of pure trading, one person's loss is another's gain, and all such losses and gains cancel out in any general summing up of wealth. The answer to the puzzle is that the surplus arises in the workplace, and not in the market place, and the only source of surplus is this: that a worker can give up more in the fruits of his labour than it costs to develop and to maintain his labour-power. This applies equally as much to women as to men.

One of the conclusions to be drawn from this is that capitalists make their money from employing people. It is the people that they employ, and not the machinery that the workers use, that makes the money. Therefore the bosses' threat to sack all the people and to substitute them all with machinery is always a hollow threat.

Human beings can give up more labour than went into their own creation. This is the special characteristic of labour – different from all other inputs – that the capitalist exploits, and it explains how the capitalist surplus is made. At this point we have come close to the heart of the matter.

Chapter 25: Unemployment

Chapter 25 of Marx's Capital, Volume 1, called **The General Law of Capitalist Accumulation**, is about the effects of Capital on the workforce. **Section 3** of Chapter 25 is concerned with what we nowadays refer to as Unemployment. Marx argues very directly and very convincingly in this section that unemployment is a necessary, constant, conscious and deliberate part of the capitalist system. He writes:

"The over-work of the employed part of the working-class swells the ranks of the reserve, whilst conversely the greater pressure that the latter by its competition exerts on the former, forces these to submit to overwork and to subjugation under the dictates of capital. The condemnation of one part of the working-class to enforced idleness by the overwork of the other part, and the converse, becomes a means of enriching the individual capitalists".

In the light of what Marx says here, it can be argued that all protestations from bourgeois democrats that they are intending to provide "jobs" for all of the unemployed are false.

Early in this chapter, Marx writes:

"[The] accelerated relative diminution of the variable constituent, that goes along with the accelerated increase of the total capital, and moves more rapidly than this increase, takes the inverse form, at the other pole, of an apparently absolute increase of the labouring population, an increase always moving more rapidly than that of the variable capital or the means of employment. But in fact, it is capitalistic accumulation itself that constantly produces, and produces in the direct ratio of its own energy and extent, a relativity redundant population of labourers, i.e., a population of greater extent than suffices for the average needs of the self-expansion of capital, and therefore a surplus-population."

In other words, it is capitalism itself that creates unemployment. The truth is that unemployment is intrinsic to capitalism, as much as employment is.

Although we are obliged to do everything possible to increase employment and to reduce unemployment, yet there is eventually no escape from unemployment within the capitalist mode of production. What is required, as Marx wrote in "Value, Price and Profit", is "abolition of the wages system", and the wages-system's replacement with another mode of production.

Chapter 27:
Expropriation of the Agricultural Population from the Land

Here, Karl Marx describes what is required before the system of surplus value can start pumping, and reproducing itself. As Marx says, the myths around this origin are many, but the truth is written in blood and fire, the ruin of the feudal system, and the destruction of the semi-feudal, semi-bourgeois guilds in the towns of Western Europe.

These revolutions made possible the existence of “free labourers”, which is to say people with no means of production or subsistence, who must sell their only possession – their labour power – in order to survive from day to day. These are the working proletariat.

According to Marx, the capitalistic era began in the 16th century, but he does not say that capitalism was dominant or hegemonic at that time. Many of the bourgeois institutions that are nowadays taken as part of capitalism, such as double-entry book-keeping, banks, stock and bond markets, insurance, contract law and global freight navigation, were first developed under late feudalism, but especially in the 17th century, in the service of the big, bourgeois, transcontinental business of slavery, which is very different from capitalism.

How the “free labourers” historically came into existence is exemplified in this Chapter 27, where Marx takes the “classic form” of this process as being that of England, starting from the 16th Century (i.e. 1501 to 1600). Clearly, the creation of the proletariat was contemporary with the slave trade, while the latter was dominant. Capitalism only began to supersede and to actively suppress slavery after it had matured during the period 1500 to 1800, or in other words, not until after the “industrial revolution” of the late 18th Century.

The process of eviction of people from the land is popularly known in England as “the enclosures” and in Scotland as the “Highland clearances”. To South Africans, one can say that the book describes processes of dispossession that are familiar even up to the present time. In the case of the Highlands of Scotland, one can also read that game parks (called deer forests) were replacing settlements of people from two centuries ago. The same thing is happening today in South Africa under cover of “green ecology”, and not only with game parks, but also with golf estates and horse-riding establishments.

With Chapter 27, it is not necessary to understand every local term, or to remember every local event. What is applicable still is the class struggle that underlay it all, the victorious bourgeoisie that came out on top, and the great, dispossessed, working proletariat that was left as the principal basis for capitalist extraction of surplus labour from then onwards - but also as capitalism’s inevitable gravedigger.

Chapter 31: Genesis of the Industrial Capitalist

In **Chapter 31** Marx states that the origin of the industrial (not farming) capitalist is in colonialism.

“The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalised the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation. On their heels treads the commercial war of the European nations, with the globe for a theatre.”

“To-day industrial supremacy implies commercial supremacy. In the period of manufacture properly so called, it is, on the other hand, the commercial supremacy that gives industrial predominance. Hence the preponderant rôle that the colonial system plays at that time. It was "the strange God" who perched himself on the altar cheek by jowl with the old Gods of Europe, and one fine day with a shove and a kick chucked them all of a heap. It proclaimed surplus-value making as the sole end and aim of humanity.”

This last describes in a single sentence, the state of affairs that Marx's book was written to expose; and Marx did succeed in exposing “capital” as “surplus-value making”.

Marx does not establish that capitalism required a ready pile of money or its equivalent. What he establishes is how the requisite class forces were brought into being, in Western Europe, in the revolutions that overthrew feudalism.

It is a mistake to think that a capitalist business requires “capital” in advance, if by “capital” is meant money in the bank, or land, buildings, equipment et cetera. It does require such things, but they do not make it a capitalist business as opposed to any other kind of project. What makes a business work as capitalism is a dual relationship. The first part of it is the relationship between the worker and the capitalist. The second part is the relationship of the capitalist with his market. If these two relationships do not exist, or are faulty, then a capitalist business will not survive. But if they do exist, then the other means will probably be found without too much difficulty.

Marx shows clearly how the proletariat arose historically in Europe in the 16th century. He shows how the bourgeois class arrives on the scene. He shows how all the social building blocks including proletariat and market, are assembled, but not the money. In any case, capital is not money, it is a relation. Marx says so, directly, in Chapter 33. So the accumulation necessary for capitalism is not treasure, but is an accumulation of relationships; this is what we learn from the chapters in “Capital” on Primitive Accumulation.

Marx does not, in Capital, make a strong distinction between slavery and capitalism. He describes slavery candidly and without flinching from the horror of it. But he never discusses slavery in a comparative way, as distinct from surplus-value-extracting bourgeois-and-proletarian capitalism. Yet (bourgeois) slavery also started in the 16th century, or slightly before, and it ran on as a transcontinental Atlantic system for the next three hundred years, in parallel with the early development of capitalism proper, until Marx’s time, such that the last end of bourgeois slavery was the cataclysm of the American Civil War, that was happening while Marx was writing “Capital”.

Chapter 32 was taken as our Prologue. In Chapter 33, Marx says: *“...capital is not a thing, but a social relation between persons, established by the instrumentality of things”.* And so ends Capital Volume 1.

Capital Volume 2

The Process of Circulation of Capital

Book 2, otherwise called "Capital", Volume 2, is about the "Circuits", circulation, or turnover of capital. In general, Marx has by now shown that capital is something dynamic, existing as an effect of a relationship between Bourgeois and Proletarian that is constantly repeated. If it is not so repeated, capital dies at once, and insofar as assets exists, they become a mere hoard, and not capital any more.

In this half-day course, we are dealing with Volume 2, important as it is, in a very summary fashion, using three pages of quotations from two of the book's three sections, with the simple aim of getting a sense of what Book 2 is about.

The first long quote, from Part 1 of Book 2, begins thus: "*So long as the product is sold, everything is taking its regular course from the standpoint of the capitalist producer.*"

It follows, and the paragraph proceeds to say so, that if the product is not sold, then disaster follows. The circuits must not be broken. If they are broken, then "the lights go out".

Marx points out that the life-and-death nature of the struggle to sell the product, realise cash, and be able to begin the cycle all over again, is one of the things that makes capitalists (and capitalist "analysts" or "economists") to believe in an illusion: the illusion that value is created during trading.

The remainder of the quotations, taken from Part 3 of Book 2 (Volume 2) are in themselves summaries that do not need to be summarised all over again.

Capital Volume 3

Tendency of the Rate of Profit to Fall

Volume 3 is where the interface between the underlying, and misunderstood (by capitalists themselves), workings of the capitalist system, come to the exposed and visible surface.

Here, Karl Marx is describing what we, "the public", can see and hear about through the bourgeois mass media of communications, and in our interactions with what is nowadays called the "financial sector".

Capital Volume 3, Part 3 is about **The Law of the Tendency of the Rate of Profit to Fall**. It is the most well-known insight of Capital Volume 3, and is often abbreviated to "TRPF".

Chapter 13 (attached) describes The Law of the Tendency of the Rate of Profit to Fall very directly and simply.

The TRPF is not a mystical law. The TRPF is in the first place a consequence of the simple fact that surplus value extracted from wage-workers is the only source of increase, and profit is surplus value less the capitalists' other costs, or what Marx calls "constant capital", where wages are "variable capital".

The tendency for these other costs to increase over time in relation to the amount of labour-power used, is what causes the TRPF, the tendency of the rate of profit to fall.

The constant capital includes technology and the cost of technological inputs rises as more scientific methods are used, in relation to the amount of labour applied.

This produces an apparent paradox: When productivity rises, profits fall. The more "capital-intensive" is a business, the less profit is made in proportion to the amount of money invested.

Does this mean that capitalism is going to fade away? Does it mean that there is an entropy in play for capitalism, like the winding-down of the solar system? So that profits will eventually reduce almost to zero, and the capitalist relationship therefore become unsustainable and cease to exist?

Perhaps Kautsky might have thought so, but there are "counteracting influences", some of which Marx describes in the following **Chapter 14 of Capital Volume 3**. Wikipedia (**here**) lists Marx's "counteracting influences" as follows:

- more intense exploitation of labour (raising the rate of exploitation)
- reduction of wages below the value of labour power
- cheapening the elements of constant capital by various means
- the growth and utilization of a relative surplus population (the reserve army of labour)
- foreign trade reducing the cost of industrial inputs and consumer goods
- the increase in share capital which devolves part of the costs of using capital on others.

Do the "counteracting influences" balance out the TRPF and produce a capitalist equilibrium?

No, not exactly. Instead, what we actually have is a very dynamic, unstable, and finally political, living world. We have constant crises, contradictions, and conflict.

"Marxism" is for many purposes practiced as a hidden science in capitalist society. For example, the business pages of newspapers seldom relate what is happening in businesses from day to day to theories of surplus value. Marx gets a nod now and again but mostly he is ignored.

But it is not the case that in the world of economic theory, Marx is never consulted by bourgeois economists. The terrain on which the parlay happens is here, in Capital Volume 3. The TRPF and its countervailing tendencies are familiar to bourgeois economists. They have their own variations on the problematisation of the TRPF, or its equivalent as they see it, such as "the law of diminishing returns".

Chapter 19: Money-Dealing Capital

Capital Volume 3, Part 4

Conversion of Commodity-Capital and Money-Capital into Commercial Capital and Money-Dealing Capital (Merchant's Capital)

Since 2008 in particular, the world has been described as being in a "global economic meltdown". This crude bogey is not in fact a new phenomenon. The nature of banking and money-dealing has been well known since the publication of Capital Volume 3, as was noted in various publications at the start of the "meltdown". One good example of theses **is by Dave Lindorff in CounterPunch on 3 October 2008**, which quotes **Chapter 30 in Part 5 of Capital Volume 3** ("Money Capital and Real Capital") to show that Marx had in that chapter described the working of the "meltdown" very completely and very concisely.

Here is the quote, with Lindorff's edits:

"In a system...where the entire continuity of the...process rests upon credit, a crisis must obviously occur -- a tremendous rush for means of payment -- when credit suddenly ceases and only cash payments have validity. At first glance, therefore, the whole crisis seems to be merely a credit and money crisis. And in fact it is only a question of the convertibility of bills of exchange into money. But the majority of these bills represent actual sales and purchases, ***whose extension far beyond the needs of society*** *is, after all, the basis of the whole crisis. At the same time, an enormous quantity of these bills of exchange represents plain swindle, which now reaches the light of day and collapses; furthermore, unsuccessful speculation with the capital of other people; finally, commodity-capital which has depreciated or is completely unsaleable, or returns that can never more be realized again. The entire artificial system of forced expansion of the [economy] cannot, of course, be remedied by having some bank, like the [Federal Reserve], give to all the swindlers the deficient capital by means of its paper and having it buy up all the depreciated commodities at their old nominal values. Incidentally, everything here appears distorted, since in this paper world, the real price and its real basis appear nowhere, but only bullion, metal coin, notes, bills of exchange, securities. Particularly in centres where the entire money business of the country is concentrated, like London [or New York]...the entire process becomes incomprehensible."*

Broadly it appears that the ability of bankers and of traders in financial instruments to create money is unrestrained. In Marx's time there was a link between money and gold and silver, and this link remained officially until the 1970s. The de-facto position of gold remains, but even gold has now been fictionalised to an extent, so that there is a lot more gold "on the books" than physically exists.

This is therefore another area wherein the writings of Karl Marx, particularly here in Capital volume 3, speak directly to the bourgeois economists of today. Marx is however quite explicit in saying that the source of increase of wealth in capitalist society remains one and the same as before: surplus value extracted by the exploitation of labour power paid for with wages at the point of production.

In **Chapter 19, on "Money-Dealing Capital"** Marx states at the beginning:

"A definite part of the total capital dissociates itself from the rest and stands apart in the form of money-capital, whose capitalist function consists exclusively in performing these operations for the entire class of industrial and commercial capitalists. As in the case of commercial capital, a portion of industrial capital engaged in the circulation process in the form of money-capital separates from the rest and performs these operations of the reproduction process for all the other capital. The movements of this money-capital are, therefore, once more merely movements of an individualised part of industrial capital engaged in the reproduction process."

There is nothing in the above to suggest that the identification of the extraction of surplus value in Capital Volume 1 as the essence of capital has been surpassed or rendered obsolete. On the contrary, Capital Volume 1 is hereby confirmed as continuing to be the essential and necessary basis and foundation in reality upon which the ever-more-fantastic world of money-dealing is erected.

Marx concludes the chapter as follows:

"It is evident that the mass of money-capital with which the money-dealers operate is the money-capital of merchants and industrial capitalists in the process of circulation, and that the money-dealers' operations are actually operations of merchants and industrial capitalists, in which they act as middlemen.

*"It is equally evident that the money-dealers' profit is **nothing but a deduction from the surplus-value**, since they operate with already realised values (even when realised in the form of creditors' claims)."*

"Nothing but a deduction from the surplus-value" is as plain a statement as could be, and this corresponds to the current jargon of "the real economy", or otherwise "Main Street" as opposed to "Wall Street".

Chapter 29: Interest-Bearing Capital

Capital Volume 3, Part 5, Division of Profit into Interest and Profit of Enterprise. Interest-Bearing Capital.

This is a long part of Volume 3 and is really too much with its sixteen chapters (21 – 36), almost a book in itself, to be covered in a single discussion. Therefore let us concentrate as before on the question of whether Volume 1 of Capital is undermined or over-ruled by Volume 3.

Marx makes it clear that this is not the case at the beginning of Chapter 23 where he writes:

*"Interest, as we have seen in the two preceding chapters, appears originally, is originally, and remains **in fact merely a portion of the profit,*** **i.e.**, ***of the surplus-value****, which the functioning capitalist, industrialist or merchant has to pay to the owner and lender of money-capital whenever he uses loaned capital instead of his own."*

These pages contain great good sense and a lot of assistance to people trying to understand the "Global Economic Meltdown" that has been going on since 2008, and is now also generally referred to as "the debt crisis", or just "the crisis". As an example, here are some paragraphs from our sample Chapter 29, Component Parts of Bank Capital, (download linked below).

*"We shall now consider labour-power in contrast to the capital of the national debt, where a negative quantity appears as capital — just as interest-bearing capital, in general, is the fountainhead of **all manner of insane form**s, so that debts, for instance, can appear to the banker as commodities. Wages are conceived here as interest, and therefore labour-power as the capital yielding this interest. For example, if the wage for one year amounts to £50 and the rate of interest is 5%, the annual labour-power is equal to a capital of £1,000. **The insanity** of the capitalist mode of conception reaches its climax here, for instead of explaining the expansion of capital on the basis of the exploitation of labour-power, the matter is reversed and the productivity of labour power is explained by attributing this mystical*

quality of interest-bearing capital to labour-power itself. In the second half of the 17th century, this used to be a favourite conception (for example, of Petty), but it is used even nowadays in all seriousness by some vulgar economists and more particularly by some German statisticians.[1] Unfortunately two disagreeably frustrating facts mar this thoughtless conception. In the first place, the labourer must work in order to obtain this interest. In the second place, he cannot transform the capital-value of his labour-power into cash by transferring it. Rather, the annual value of his labour-power is equal to his average annual wage, and what he has to give the buyer in return through his labour is this same value plus a surplus-value, i.e., the increment added by his labour. In a slave society, the labourer has a capital-value, namely, his purchase price. And when he is hired out, the hirer must pay, in the first place, the interest on this purchase price, and, in addition, replace the annual wear and tear on the capital.

*"The formation of a fictitious capital is called capitalisation. Every periodic income is capitalised by calculating it on the basis of the average rate of interest, as an income which would be realised by a capital loaned at this rate of interest. For example, if the annual income is £100 and the rate of interest 5%, then the £100 would represent the annual interest on £2,000, and the £2,000 is regarded as the capital-value of the legal title of ownership on the £100 annually. For the person who buys this title of ownership, the annual income of £100 represents indeed the interest on his capital invested at 5%. All connection with the actual expansion process of capital is thus completely lost, and **the conception of capital as something with automatic self-expansion properties is thereby strengthened**.*

*"Even when the promissory note — the security — does not represent **a purely fictitious capital**, as it does in the case of state debts, **the capital-value of such paper is** nevertheless **wholly illusory**. We have previously seen in what manner the credit system creates associated capital. The paper serves as title of ownership which represents this capital. The stocks of railways, mines, navigation companies, and the like, represent actual capital, namely, the capital invested and functioning in such enterprises, or the amount of money advanced by the stockholders for the purpose of being used as capital in such enterprises. This does not preclude the possibility that these may represent pure swindle. But this capital does not exist twice, once as the capital-value of titles of ownership (stocks) on the one hand and on the other hand as the actual capital invested, or to be invested, in those enterprises. It exists only in the latter form, and a share of stock is merely a title of ownership to a corresponding portion of the surplus-value to be realised by it. A may sell this title to B, and B may sell it to C. These transactions do not alter anything in the nature of the problem. A or B then has his title in the form of capital, but C has transformed his capital into a mere title of ownership to the anticipated surplus-value from the stock capital."*

It remains the case that in Volume 3, Karl Marx is constantly referring back to Volume 1, and reminding us that whatever "financial" profits (as we would now call them) there may be, these are only portions of the surplus value generated at the point of production by the capitalistic exploitation of living human labour-power.

Picture: Max Keiser, of Russia Today's "Keiser Report" television programme, in a London taxi. Keiser is particularly eloquent about the insane role of "fictitious capital" in present conditions, which appear not to have changed at all from the time of Karl Marx, where finance capital is concerned. RT is on DSTV channel 405.

Capitalist, drawn by George Grosz

Value, Price and Profit

This is a course on Marx's **"Capital", Volume 1** (to be followed immediately thereafter by a course on Volumes 2 & 3). In the next part we begin the book itself, with Chapter 1 of Volume 1. In this instalment we conclude our preliminary look at the preceding literature.

"Wage Labour and Capital" gave us notice of the "problematic" faced by Karl Marx in 1847. By 1857 most of the theoretical problems had been solved. By 1863 Marx had a sketch plan that closely resembled the shape of the full Volume 1 that was published four years later in 1867. By 1865 when he did "**Value, Price and Profit**" (see the attached documents), Marx had no doubt solved the literary problems of the work, and was by now able to summarise in a concise way, if necessary.

This short work, "Value, Price and Profit", has served various purposes. It debunks the argument, still used by employers today, that wage rises will cause unemployment. Hence "Value, Price and Profit" has been a mainstay for generations of shop stewards and union negotiators.

Secondly, and prefiguring Lenin's argument against "Economism" four decades later in "What is to be Done?", it states clearly that trade unionism, without political organisation, will never succeed in throwing off the yoke of capital (see the excerpt from Chapter 14, attached).

This abridged version of "Value, Price and Profit" can also to some extent serve as a "mini-Capital", or in other words as the short version of "Capital" that many people crave. It will at least help us to get a better grip on some of the key concepts such as Labour, Value, Labour-Power, Surplus-Value and Profit.

The two quoted paragraphs that follow are particularly instructive. Hobbes' 1651 book "**Leviathan**" was a tremendous groundbreaker; Karl Marx noticed that Hobbes had *"instinctively hit upon this point overlooked by all his successors"*, namely the distinction between Labour-Power and Labour, which Marx had worked so hard and so long to see clearly (see the remarks about the hunt for surplus value in our earlier post on **Wage Labour and Capital**)

‘What the working man sells is not directly his labour, but his labouring power, the temporary disposal of which he makes over to the capitalist. This is so much the case that I do not know whether by the English Laws, but certainly by some Continental Laws, the maximum time is fixed for which a man is allowed to sell his labouring power. If allowed to do so for any indefinite period whatever, slavery would be immediately restored. Such a sale, if it comprised his lifetime, for example, would make him at once the lifelong slave of his employer.

‘One of the oldest economists and most original philosophers of England — Thomas Hobbes — has already, in his **“Leviathan”**, *instinctively hit upon this point overlooked by all his successors. He says: "the value or worth of a man is, as in all other things, his price: that is so much as would be given for the use of his power." Proceeding from this basis, we shall be able to determine the value of labour as that of all other commodities.’*

“Value, Price and Profit” includes a counter-intuitive surprise in Marx’s statement that: “Profit is made by Selling a Commodity at its Value” (top of page 8 in our download version). Capitalism would still exist, even if it could shed its nasty price-gouging habits. Because capitalism is not a simple swindle, but is a system and a class relationship.

Capitalism would also still exist if Labour Power was always paid for at its full value.

The source of the “self-increase of capital” is located in the workplace, and not in the marketplace.
